



ADVISOR

TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL



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SERVING OVER 300,000 MEMBERS

April 2007

Retiree Health Care

SPECIAL SESSION UPDATE

By Lindy J. Beale, Legislative Counsel



Thanks to the lead taken by Governor Bob Riley, State Finance Director Jim Main, and Dr. Paul Hubbert, Alabama is now in the forefront in addressing the problem of looming health care liabilities. "What these men have accomplished is phenomenal," said Dr. David Bronner. "They were thrown a problem of historic proportions and got it through the legislative process quickly and smoothly." It would also not have been possible without the efforts of the Associations representing both retired and active state employees and teachers and each member of the House and Senate.

In the past, most states paid for active and retired employees' health insurance on a pay-as-you-go basis. This worked well when health care was inex-

pensive and the number of retirees was relatively low. But with health care costs soaring and the number of retirees growing at a rapid pace, the Governmental Accounting Standards Board issued rules requiring states to disclose the projected cost of health care benefits for retirees. The tab in Alabama for teachers and state employees was almost \$20 billion.

During an extraordinary, five-day Special Session, the Alabama Legislature stepped up to the plate and passed the Alabama Retired Educators and Employees Health Care Trusts. In an unprecedented showing of unity, both the House and Senate unanimously passed legislation that will set up irrevocable trusts to help Alabama pay future health care costs for retired teachers and state workers. This was followed by unanimous approval by the PEEHIP Board and Governor Riley signing it into law.

Working much like our pension plan, the goal is to begin setting aside funds now for future retiree health care costs and to allow investment income from these trusts to fund a substantial part of these costs. The PEEHIP Board immediately voted to transfer \$200 million from current PEEHIP funds toward this new trust. Another plus is that by setting up these trusts, Alabama will obtain a more favorable bond rating, saving the Alabama taxpayers additional money.

The Legislature also authorized a Constitutional Amendment to be voted on June 5, 2007. This amendment makes it clear that these trusts are irrevocable and that the proceeds of the trusts can only be used for retiree health care. Just like our pension fund, the amendment makes it clear that no one now, or in the future, can raid the trust fund.

RSA Hotels Recognized as Marriott's Best

Just four months after completely reopening, the Grand Hotel Marriott Resort, Golf Club & Spa was named #1 out of 343 full service Marriott and JW Marriott Hotels in North America for customer service. This demonstrates that the hotel property and customer service in Point Clear are now grander than ever.

The Grand Hotel is not the only RSA owned hotel receiving accolades from Marriott. In 2006, Renaissance Ross Bridge Golf Resort and Spa in Hoover was named the top Renaissance

hotel in the world for guest satisfaction, style and golf. The resort also received regional honors this week at Marriott's Global General Managers Conference.

The Marriott Shoals Hotel & Spa in Florence walked away with several top honors from Marriott. The resort won the Customer Excellence Overall Award and the Best Customer Excellence for Problem Resolution for all full service Marriott properties in North America. For 2006, the Marriott Shoals Hotel & Spa was ranked as the top Marriott golf resort for customer satisfaction. The Spa

at the Shoals and the Spa at the Grand were both named in Marriott's top 10 spas in North America.

In central Alabama, the RSA owned hotels in Prattville and Opelika have both been honored for their improvement efforts. The Marriott Prattville Hotel & Conference Center at Capitol Hill won Most Improved Associate Excellence in Marriott for 2006. In addition to improving the excellence of their employees, the hotel is currently adding an additional ballroom and making restaurant

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Selecting Alabama Judges

By Daniel J. Meador

“Among the 50 states, appellate judges are put in office in four basic ways: executive appointment with legislative confirmation; election by the legislature; popular election by the voters; nomination by a non-partisan commission with appointment by the governor. Each of these is in the hands of human beings and thus is imperfect. Considering all the imperfections and the pluses and minuses of each, there can be debate as to which is best. But experience over time has shown which is the worst. Sad to say, it is the system currently prevailing in Alabama—popular election by the voters.

A major reason why this system is bad is money—contributions of vast amounts of money in support of candidates for election to these appellate judgeships, an evil not present in any of the other selection systems. Money began to be a serious problem in the 1990s. In 1994, candidates for four Alabama Supreme Court seats spent more than \$6.5 million...Alabama had set the national record for money spent by candidates in state supreme court campaigns since 1993: a total of more than \$41 million, even beating out Texas. This is truly remarkable when one considers that Alabama is far from among the wealthiest states. The pattern continued in the 2006 general election where candidates for four contested supreme court seats raised at least \$10.5 million, and this does not include several million dollars spent in the earlier primary elections.

It is especially troubling that a significant amount of money spent in these campaigns comes from out of state. What legitimate interest can anyone outside of Alabama have in determining who sits on its supreme court?

The evil in this money is the threat to, and undermining of, the most fundamental feature of the judiciary—the impartiality and unbiased character of the judges, both in reality and in public perception. The money contributed to these campaigns comes from numerous sources, including individual lawyers and citizens, law firms and organizations of various sorts. Special interest groups are especially heavy contributors. Most of the contributors give to a particular candidate because they believe that candidate, if elected, will decide certain issues and types of cases the way the contributors want them decided. In other words, most contributors typically do not want an independent, objective judge. One might debate whether they always get what they want, but whatever the reality, the damaging perception is undeniable.

The money fueling this selection system gives the unavoidable impression that seats on Alabama's appellate courts are for sale....”

Daniel J. Meador is a member of the Alabama State Bar and a former dean of the University of Alabama School of Law. He is the author of numerous articles and books and has directed a graduate program for appellate judges at the University of Virginia Law School, where he has served on the faculty for many years.

Choosing a Sect

By Noah Feldman, *NY Times*

“As the Sunni-Shiite conflict in Iraq polarizes Muslims across the globe, the United States finds itself in the odd position of seeming to favor a Shiite government in Iraq and Sunni leaders everywhere else...the rift between the two denominations is almost as old as Islam itself—and so is unlikely to close soon. What began more than 1,300 years ago as an argument over whether the Prophet Muhammad should be succeeded by his cousin Ali or by an unrelated companion became a bloody civil war, then hardened over time into a theological split....

But who, exactly, is our natural ally in this historic conflict? Pro-Sunni analysts, sometimes reflecting the traditional realist (and Arabist) perspective of the foreign-policy establishment, tend to see a radical Shiite Iran and its subsidiary, Lebanese Hezbollah, as the most pressing threat to America's global interests. In their view, America's traditional policy—backing friendly Sunni powers like Saudi Arabia and Egypt—is the best way to contain Iran. Sunnis make up as much as 90 percent of the world's 1.3 billion Muslims. Our support for the Iranian-backed Shiite parties who run the government in Iraq hasn't exactly worked out so far. If we support Iraq's Shiite even when some are engaging in retaliatory massacres of Iraq Sunnis, we risk alienating our traditional oil-producing Sunni allies while naively spilling American blood to serve the Iranians.

...Contemporary Iran, the most important Shiite base today, is still shaped by an ancient Persian civilization that predates Islam. Meanwhile, Sunni Islam is in a sorry state, dominated by a purist and anti-intellectual fundamentalism that has been bankrolled by Wahhabi Saudi Arabia. Lest it be forgotten, Osama bin Laden is a Sunni who condemns Shiite and American infidels in the same breath....

For the United States to defuse anti-American Islamism, it must be willing to embrace moderates and democrats of all stripes, Sunni or Shiite. From a strategic standpoint, it would also be an error to communicate to Muslims worldwide that the United States supports either Sunnis or Shiites as such. This would undercut the core realist principle that a country's allies are those who act in its interests, not those whom it prefers on the basis of race or creed. In this sense, realism is essentially anti-discriminatory—if not indiscriminate....”

ANNUAL REPORT AVAILABLE

Telephone – (334) 242-5718 or 800-214-2158 ext. 1503

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CRAIN'S NEW YORK BUSINESS

Writes About RSA's 55 Water

RENOVATIONS, BIG LEASING DEALS AT 55 WATER ST. ADD TO AREA'S RECOVERY.

By Kerry Murtha

In the aftermath of the terrorist attacks of Sept. 11, much of downtown became a virtual no-go zone for blue-chip office tenants. Many people wondered if the area would ever fully recover.

Not Retirement Systems of Alabama. Rather than sitting on its hands, the big pension fund continued to pour money into its New York trophy building at 55 Water St., the city's largest property when ranked by floor space. Since buying the building in 1993, the fund has spent over \$200 million—much of it in the last five years—doing everything from renovating the public plazas to replacing 83 elevator cabs and installing 11 backup power generators.

BIG LEASING DEAL

In the process, 55 Water St.'s rebirth has helped prepare the way for a broader rebound in the downtown market. In fact, many people date the start of the area's recovery to late 2004, when HIP Health Plan of New York signed a lease for 500,000 square feet at the building in what became the largest real estate deal in the city that year.

"The building has always been a bellwether for downtown because of its sheer size," says Mary Ann Tighe, chief executive of the New York tristate region for CB Richard Ellis and the executive leasing agent for 55 Water St. "The successful turnaround of the building since 9/11 proves that."

Since the HIP deal—sweetened by city, state and federal incentives that cut rents by as much as \$10 per square foot—vacancy rates downtown have slowly fallen to 10% from a peak of 14% in 2004, according to CB Richard Ellis. More recently, rents per square foot have started to bounce back, reaching an average of \$41 for Class A space downtown last year, compared with \$32 at the end of 2005, city figures show....

At 55 Water, which consists of a 54-story south tower and a 16-story annex, with a 1-acre garden overlooking the East River, tenants have snapped up nearly 1,000,000 square feet of space in the last two years. As of the end of last year, the building was fully occupied.

"The owner saw the potential of this building and was committed to making it a Class A property from the beginning," says Harry Bridgwood, executive vice president of the New Water Street Corp., the property manager. He notes that ask-

ing rents for the newest leases in the building are around \$40 per square foot, compared with rents that hovered at about \$30 three years ago.

ADDED PERKS

In addition to lavishing major sums on upgrading the 25,000-square-foot lobby and opening a gourmet food court, the building's owners have courted tenants with extra perks. To help win the HIP lease, for example, the owners agreed to allow HIP to put its logo on the building.

"It was a big branding opportunity for HIP that made the offer that much more attractive," says Brian Given, managing director at GVA Williams, the brokerage that represented HIP in the 20-year deal.

In one of the biggest deals of 2006, financial printer Bowne & Co. agreed to lease 200,000 square feet of space at the building.

William Coote, treasurer of Bowne, says the building's independent electrical system, large floor plates and sweeping views of lower Manhattan sold them on the space.

"We wanted a flagship facility, and 55 Water St. certainly had the 'Wow' factor," says Mr. Coote.

Water Source

Source: *New Scientist*

We in Alabama are very fortunate, as well as most of the entire South. But, we must realize what is happening around the world. The growing water shortages around the globe will have economic, investment, and geopolitical implications for us and our children.

Capital costs and operating costs for converting waste water into purified drinking water can be lower than ocean water desalination systems used in some Middle East oil nations. Australia, San Diego, and London process recycled water for drinking.

An article in the *New Scientist*, entitled "Earth: The Parched Planet" speaks to global agriculture's unsustainable water usage. The article states "...every teaspoon of sugar requires 50 cups of water to grow it...typical meat-eating, milk drinking westerner consumes as much as a hundred times their own weight in water every day...it takes 25 bathtubs of water to grow the cotton for one t-shirt...it takes 2,000 liters of water for every liter of milk.

Most importantly, one tenth of the world's food is being grown using underground water, which is not being replenished by rains. The plundering of underground water reserves is taking place in India, China, Pakistan, Indonesia, Vietnam and increasingly in Latin America and Mexico.

Father-Son Golf Tournament

L I F E I S S H O R T



Does it sometimes feel like our children start kindergarten one day and go off to college the next? As parents look back, it is the special family outings that will always be remembered. Many dads attend numerous sporting events that their sons participate in while in school, but the activities such as hunting and golfing together will be remembered the most.

May 26-27 provides the perfect golf experience for fathers and sons to enjoy together at the Father-Son Golf Championship at Cambrian Ridge in Greenville. This will mark the 9th year fathers and sons have come from all across America to play in this event.

For more information, please call Danny Foster at 334-382-9787, or dfoster@rtjgolf.com.

A Special Deal

FOR RSA MEMBERS

The Grand	\$79	April 1-5, 8-11, 15-17, 29-May 3
The Shoals	\$69	April 4-18, 22, 29-30
Prattville	\$69	April 6-9
Opelika	\$69	April 4-12, 15-17
Riverview	\$69	April 3-10, 12-26
Ross Bridge	\$79	April 6-8, 10, 12, 25, 30

*Book early because the rooms are limited at these special rates.
These rates are not applicable to groups or conventions.*

Code for hotels except Riverview: RABM, 800-228-9290
Riverview: RABM, 866-749-6069

Marriott's Best *continued*

renovations. In Opelika, the Marriott at Grand National just completed a major renovation and was named one of the "best locations for meetings" by the readers of *ConventionSouth*. The Marriott Shoals also received this *ConventionSouth* honor.

For more information on all eight RSA hotels, also known as the Resort Collection on Alabama's Robert Trent Jones Golf Trail, visit www.pchresorts.com.



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RSA Web site:
<http://www.rsa.state.al.us>

ERS Board Seeks Candidates for Upcoming Election

Candidates are now being sought for the Elected Local Employee, Position No. 2 position for the ERS Board of Control. The position will be filled in a statewide election that will take place this June. The nominee must be an active member of the ERS by virtue of employment with a local agency (city, county, town, public or quasi-public agency). This position is a four-year

term beginning October 1, 2007, and ending September 30, 2011. This position is currently held by Mrs. Ann Gant.

Nomination packets are available on our website at www.rsa.state.al.us or you may contact Deborah Kirk at 1-800-214-2158 extension 1573. The completed petition must be returned to the ERS office by 4:00 p.m. April 16, 2007.

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